

# Product Innovation Breakout Room

**This next calendar year is unprecedented for advanced innovation. Innovation fuels our growth...**

Nobody is better positioned to harness the power of sport with our partnerships with the world's best teams, leagues, and athletes – from legends of the game to young guns coming up...

**Some of the biggest innovation launches we have over the next 12 months will be seen in...**

- Signature **basketball** where we're driving new energy around the culture of the game.
- **Women's**, where the team continues to drive growth and yet it still is a huge opportunity in front of us.
- And, **running** where we're ushering in a **revolution**, with more innovation and energy than the category has ever seen in a single year. Distinct rides for the runner whether it's their first, or fastest, mile.

**We are scaling and dimensionalizing innovation launches we have just introduced...bringing new forms and styling...**

**GLOBAL FOOTBALL:** A few things to note about THE global sport...we have a player roster that is second to no one: Cristiano, Neymar and a crew of young guns, and the greatest clubs and national teams around the world.

While we can't show you our newest Football innovations, next year we will unveil new Federation Kits for World Cup 18 that will express the unique individuality of each of Nike's 28 partner nations. They will feature anti-cling innovation and engineered construction to keep athletes dry, light, and cool.

**NBA:** Our new NBA partnership showcases the power of sport—creating a huge opportunity to energize basketball culture through both performance and style, on a global scale. Jerseys feature...

- Textured Alpha Yarns with hollow core allow for moisture wicking and quicker dry time.
- Performance tailoring allowing mobility and freedom of motion.
- They are 30% lighter than previous Jerseys as engineered materials help reduce cling and increase airflow.
- And we're excited about our off-court relationships with Kendrick Lamar and Olivia Kim.

We'll be dimensionalizing the look of performance basketball through City Edition Jerseys that draw from the deep connection to the spirit of city/team/fan base where the game is shaped, on and off court...

The energy we've seen, and the business that's been done in the first week, has exceeded our expectations.

**BASKETBALL:** Our focus in hoops is to not only dominate the game with the greatest athletes in the world, our new partnership of the NBA, and new performance Innovation on the court...it's to influence culture and expand the market in the US, and connect new consumers around the world to the game of basketball.

**SIGNATURE BASKETBALL:** Signature basketball footwear drives energy on the court and influence off it. And you're seeing this play out in the marketplace:

- PG is the most successful signature product in year one at \$110,
- XXX2 inspired by the Jordan 2...leveraging Flyknit and the flight plate
- KD, coming off the NBA championship and getting into his groove - and so is the KDX at \$150
- Kyrie...the biggest signature shoe in the industry... \$120...and adding a style at the \$80 price point.

**KOBE:** Kobe is the most-worn shoe on-court as innovations in Nike's Flyknit enable the world's greatest athletes to move efficiently in any direction by surrounding the entire foot with Flyknit, creating a sock-like feel.

**LEBRON:** The LeBron 15 took a huge leap forward in performance and style with next-generation Battle-Knit construction that provides strategic stretch, a locked-in fit and durability, a fully articulated cushioning system combining Max Air and Zoom Air units, creating the impact protection and bounce that LeBron demands.

We've told deep, rich stories and executed energy launches to start the journey and that drove immediate sell thru:

- NY Fashion Week runway during the KITH Sport fashion show
- 'Ghost'— drive to chase the greatness of the ones that came before him
- "EQUALITY" player edition on opening night

In the back half of the season, we will debut the LeBron Watch which will feature the best of LEBRON 15 PE's, and brings them directly to consumers the minute he steps on the court via SNKRS. And we will surprise and delight consumers by bringing back the most-voted product at the season's end.

**AF1:** As we drive performance to the streets, we continue to heat up one of the most dominant basketball culture icons...the AF1.

- Adding new dimensions which drives access to new consumers and another reason to buy
- Bringing new stories...OBJ...and taxi cabs...that are paying dividends already with NBA color hooks
- Launching AF100 at Complexcon: Five collabs that will be going to retail in Holiday '17 - Don C, Acronym, Virgil, Travis Scott, and the collab of all collabs...Rocafella

We're forging new ways of collaborating with cultural influencers, like The Ten with Virgil Abloh, which reimagined 10 Nike icons.... Virgil's DIY approach...

- Connected with consumers in an authentic way...in workshops in 6 key cities around the world
- Leveraged Speed - in less than 10 months...paper to consumer...10 shoes
- And we'll be scaling the collab in the back half FY18 with new colors dropping...scaling the access for consumers

**FUTURE FOR HER:** Brings to life our new approach in women's...we believe she is the future of sport and fitness...and she is well outpacing him in participation around the world...

- At our last two Investor Days, we told you how women's is an incredible opportunity for us...and it has been driving strong growth...outpacing the men's business.
- We continue to evolve and invest in our offense...from concept to consumer...with increased resources focused just on Her.

We're confident about the future as we drive new innovation specifically for her in the items she loves, such as bras and pants, that push the edges of style—with no compromise in performance. And we are attacking massive untapped growth opportunities in footwear.

**NIKE FLYKNIT FE/NOM BRA:** Consumers told us that, “No bra, no workout.” With Fe/Nom, we've created a maximum-support bra that is so comfortable it allows women to feel and look amazing while doing anything they choose. It took more than 600 hours of rigorous biometric testing that we translated into two single-layer panels that are 30% lighter than any other bra in Nike's history...and still delivers maximum support and style.

**PANT STUDIO:** We are #1 globally in the bottoms market, but we aren't satisfied, so we talked with women around the world and heard a common theme...make product by activity. So we took one of her most important items and innovated for her in a way only Nike can do. Leveraging our extensive network of athletes and the greatest trainers on the planet, we rethought our entire bottoms strategy – and introduced all new styles across Statement and Core. Our Pant Studio features a range of new silhouettes because it's not only about tights anymore. We'll be launching the new “pant studio” on nike.com and globally in 5,000 doors on November 1<sup>st</sup>.

**LOOKS FOR HER:** We know we win with her when we hero the item in the context of great head to toe looks. You will see us push the edge of style and come with a unique Nike point of view each season. We're leveraging our world class design talent + industry leading stylists to bring her somewhere new. And you'll see this when our Spring '18 collection launches, with looks that show a spectrum from clean, minimalist design to edgy street style.

**SNEAKERS FOR HER / SNEAKER BOUTIQUE:** Sneakers today are a part of every woman's wardrobe. She's wearing them for more occasions and they are dominating the fashion weeks around the world. So “Sneakers for Her” continues to be a massive opportunity:

- Focused on attacking the Current Market where it's concentrated, at the less than \$100 price point ... but also creating new space at the premium level where we know she spends more on footwear already.
- Cool sneakers in her size, premium executions, and beautiful performance executions
- And like the Virgil collab, we will be launching Icons for her, where we reinterpreted 2 of our most iconic styles. You'll see these launch at Fashion Week.
- Innovating a new retail experience for how she'll shop for these sneakers – Nike Sneaker Boutique.
- Depth and richness to the stories, reviews, and key looks.
- In our pilot Nike Sneaker Boutiques around the world, business is up 30% to 50%.

Innovation For Her + pushing the edges of style head-to-toe with uncompromising performance + taking her somewhere new that is still undeniably Nike (Sneakers Style) = GROWTH

**RUNNING REVOLUTION:** We are reimagining basketball, reimagining our women's approach, AND we are reimagining the running footwear experience, because as you know, it drives this industry...and...this is the heart and soul of our brand. We are launching and scaling three of these performance platforms over the next 12 months...in **AIR, ZoomX, and Nike React**.

**REACT:** React delivers a sense of relentless energy for runners. We see it scaling to more than a billion-dollar revenue platform annually. React is...

- Single cushioning platform that delivers a soft and responsive, light and durable ride.

- Form follows function: The data-driven engineered design forms a fluid pattern.
- Logged more than 17,000 miles in the NSRL and on the track to test it and gather feedback.
- Runners say it feels like “instant go.”
- Will scale across all major price points. Launching Spring 18 and quickly scaling in Summer ‘18.

**ZOOM:** ZoomX is allowing runners to be Fearlessly Fast. This system was born out of Breaking2...

- Runners describe the feels as “running downhill.”
- Swept the podium in Boston, Rio, and Chicago...and the actual inventor of the foam, beat his PR by 40 minutes in the London marathon, breaking 4 hours.
- We’ll be scaling the platform across price points and experiences...to styles made for the street. We’ll start with the Pegasus Turbo in Fall ‘18

**AIR:** Air has always been distinctive to Nike. We started in 1979 and continue to push to new places. But there’s never been anything like the VaporMax: Launched this year we’re introducing Air to a new generation...

- Delivering more Air directly underfoot, without the need for a traditional midsole, and offering greater flexibility and spring without compromising structure
- Quickly took back our #1 position over \$150 in running in the U.S. and we’re scaling the platform with plans for several million pairs in FY18
- Over the next 12 months, we’ll be driving scale and adding new dimensions in VaporMax like— “species of Air” ... iconic uppers on the VaporMax bag, or our “moc” version launching in November.

In Spring ‘18, we will introduce the Max 270, bringing a modern look and feel of Air, taking advantage of the heat of Air in the marketplace...

- We’re getting great consumer and retailer feedback for the next Air Max in our roster
- A lifestyle innovation for those who demand comfort all day long.

While we continue to introduce new heat around Air, we won’t lose focus on driving new energy around our vault of Air shoes...which represent the most valuable assets that anyone has in our industry....

- Great example is how we created the Max ‘97 as the ‘it’ sneaker of 2017
- We re-launched the icon in Italy with 500 pairs at last year’s Milan Fashion Week...grew it meticulously with drops across Europe in Spring 17...and now we’re selling close to a million pair per season
- Expanding the reach by dimensionalizing the OG with new technology and collabs.

Innovation that takes all runners somewhere new + Dimensions of energy and new forms (not compromising performance and & style) + all price points = GROWTH

**ADAPTIVE FIT:** We’re now delivering adaptive fit, at the speed of sport. After a super-successful pilot with the HyperAdapt 1.0, we’re scaling adaptive fit. The HyperAdapt 2.0 will take personalized performance fit to entirely new level in a more efficient and cost-effective way.

**IN CLOSING:** As the world’s leader in sport, we know there’s never been a more exciting time to be in our business. We’re supercharging our innovation pipeline. And we’re making aggressive moves...all with the goal of igniting the next phase of accelerated growth for NIKE.